

7 Financing Plan

This Financing Plan for the Downtown Circulator includes a description of funding sources used for other downtown circulators throughout the United States, conclusions that can be applied in Washington, and a description of the financing strategy for the Downtown Circulator.

7.1 Funding for Other Downtown Circulators

As part of the process of developing a Downtown Circulator Implementation Plan for the DCPG, Multisystems, Inc. contacted the agencies that operate downtown circulator systems in nine U.S. cities. This effort was undertaken in order to gain insights into the potential markets for downtown circulators and to develop an understanding of the operations of other circulator systems. One of the key issues discussed with the nine agencies was the source of funding used for both acquiring the downtown circulator and for ongoing operation of the services. This section summarizes the funding sources used by the agencies.

7.1.1 Capital Funding Sources

Table 7-1 shows a detailed break-down of the capital funding sources used by the nine downtown circulator operators. Seven of the nine agencies leveraged federal funding for purchasing their Downtown Circulator vehicles. Six of these agencies used a standard 80-20 federal-local funding split for vehicle acquisition. While most of the federal funding was Federal Transit Administration (FTA) Section 5307 or 5309, one of the agencies (*Milwaukee*) used a Congestion, Mitigation, and Air Quality (CMAQ) grant to purchase their vehicles. As will be described in a subsequent section, Milwaukee County Transit has also used CMAQ money to fund operation of their downtown trolley system. Vehicles for the LYMMO service in Orlando were funded with only a 50% Federal share. 25% of the vehicle cost in Orlando was covered by the Florida Department of Transportation, while the remainder was paid with local funds (a combination of general city funds and community redevelopment funds).

Additionally, two of the agencies have used different funding sources to pay for specific vehicles. In Denver, the original 16th Street Mall Shuttle vehicles were purchased with 80% federal funding; however, the agency is in the process of replacing these vehicles, and the new vehicles are only 50% funded by the FTA. In Miami Beach, the four original Electrowave vehicles were purchased with 80% federal funds. The remaining seven vehicles were funded by variety of sources. 13% of the capital cost was covered by the Clean Cities Coalition, 33% was covered by the City of Miami Beach, and the remainder was paid by a variety of state sources, including the DOT, EPA, and the Pollution Recovery Trust Fund. The Miami Beach TMA is currently in the process of purchasing three additional vehicles for the Electrowave service, and these vehicles are being 80% funded by the FTA.

Two of the cities (*Austin and Los Angeles*) did not use any Federal funds for purchasing their vehicles. In Austin, the vehicles were purchased with general transit agency funds, which are derived from sales tax, investment income, and other revenue sources. In Los Angeles, vehicles

Table 7-1: Sources of Capital Funds for Downtown Circulator Vehicles

	Funding Mechanism			
	Federal	State	Local	Transit Agency Funds
Austin	-	-	-	100% ⁵
Chattanooga²	80%	10%	10% ⁸	-
DART	80%	-	-	20% ⁷
Denver (original vehicles)	80%	-	-	20%
Denver (new fleet)	50%	-	-	50%
Los Angeles	-	-	100% ⁶	-
Miami (remaining 7 original vehicles)¹⁰	13%	54%	33%	-
Miami (4 original and 3 new vehicles)	80%	20% ¹		-
Milwaukee⁴	80%	-	20%	-
Oklahoma City	80%	-	20% ³	-
Orlando (LYNX)⁹	50%	25%	25%	-

¹ Funded through state toll revenues

²Federal funds were Section 5309; State funds were from the TN Department of Transportation;
Local funds were from the City of Chattanooga

³Funded through MAPS project, which was a 5-year sales tax that funded downtown improvements

⁴Federal funds were CMAQ; Local funds were provided by the County

⁵Sales tax, investment income, other revenue sources - exact breakdown unknown

⁶Proposition A local return funds - based on a one-half percent sales tax levied in Los Angeles County

⁷Source of transit agency funds is a 1 percent sales tax levied within 13 member cities

⁸General city funds - source is tax revenue.

⁹State funds from the Florida Department of Transportation. Local funds were a combination of general city funds and funds from the community redevelopment agency (tax increment financing)

¹⁰Federal funding for these 7 vehicles was from the Clean Cities Coalition;

were purchased with Proposition A local transit funds. These funds are based on a one-percent sales tax that is levied within 13 cities in the Los Angeles metropolitan area.

The local match required for federally funded vehicles has been provided by a variety of sources at the different agencies. Three of the seven agencies that used federal capital funding had additional funding from their State Departments of Transportation (*Chattanooga, Miami Beach, and Orlando*); all of these agencies also used local funds for their match. In Miami Beach, the state funds were in the form of toll revenue credits. Two of the cities (*Dallas and Denver*) used general transit agency funds for their local match. The remaining two cities (*Milwaukee and Oklahoma City*) used only local funds for their 20% match. In Oklahoma City, this local match was covered by their MAPS project, a 5-year project in which a sales tax was levied to fund downtown improvements.

7.1.2 Operating Funding Sources

The nine agencies have used a variety of sources to fund everyday operation of their downtown circulator services. In general, these funding sources can be broken down into the following categories: transit agency (farebox revenue and general operating funds), federal, state, local, and private funds. The following sections provide more detail on these funding sources. Table 7-2 shows a breakdown of the sources used by each of the nine downtown circulator systems.

Farebox Revenue

Four of the cities (*Austin, Chattanooga, Denver, and Orlando*) do not charge a fare on their services; thus they do not receive any farebox revenue. The remaining systems have farebox recovery ratios ranging from 4% - 24%. It should be noted that the 24% recovery ratio is on Oklahoma City's green route, which is primarily geared towards tourists⁴¹. The remaining routes have a recovery ratio of only 4%. Table 7-3 shows the fare charged by each of the cities that charge a fare, and their respective fare recovery ratios⁴².

Regular Transit Agency Operating Funds

Six of the cities (*Austin, Dallas, Denver, Los Angeles, Milwaukee, and Oklahoma City*) receive general transit agency operating funds for their downtown circulator systems. The contribution by the transit agency ranges from 1% in Milwaukee, to 100% in Austin. In Oklahoma City, the operating cost for the trolley service was originally covered by the MAPS project (referenced earlier); however, once this project was completed, the transit agency took over responsibility for funding the service.

Federal Funds

Only two of the cities (*Milwaukee and Oklahoma City*) use federal funds to operate their downtown circulator services. Milwaukee uses a CMAQ grant to fund this service, while Oklahoma City uses FTA funds. In Milwaukee, the CMAQ grant covers 80% of their operating cost. Currently, the agency is having trouble obtaining the local match for funding the service (even though they have private sponsorship as well), and may consider discontinuing it as of September 2003.

⁴¹ This route has a fare of \$0.50. The remaining routes have fares ranging from \$0.25 to \$0.50.

⁴² It should be noted that the fare recovery ratio is not dependent solely on the fare charged - there are a number of other factors that also contribute to this ratio, such as the cost of operating the service and ridership.

Table 7-2: Sources of Operating Funds for Downtown Circulator Systems

	Funding Mechanism											
	Agency Funds		Federal Funds		State Funds	Local Funds					Private Funds	
	Farebox Revenue	Agency Operating Funds	CMAQ	Other Federal Funds	State DOT	Sales Tax	Parking Revenue	Downtown Property Tax	Impact Fees on Developers	Local Funds	Private Sponsorships	Downtown BID
Austin	-	100% ⁶	-	-	-	-	-	-	-	-	-	-
Chattanooga	-	-	-	-	-	-	58%	-	-	42%	-	-
DART	10%	50% ⁵	-	-	-	-	-	-	-	-	-	40% ⁷
Denver	-	100% ⁵	-	-	-	-	-	-	-	-	-	-
Los Angeles (A, B, and E) ⁸	12%	✓	-	-	-	✓	-	-	-	-	-	-
Los Angeles (remaining)	12%	-	-	-	-	78%	-	-	-	-	-	-
Miami	5% ¹	-	-	-	20%	-	60%	-	15%	-	-	-
Milwaukee	15%	1%	80%			-	-	-	-	-	2% ²	2%
Oklahoma City (Green)	24%	29% ³	-	21%	-	-	-	-	-	-	26% ⁴	-
Oklahoma City (Other)	4%	78% ³	-	18%	-	-	-	-	-	-	-	-
Orlando (LYNX)	-	-	-	-	-	-	✓	✓	-	-	-	-

¹Includes advertising revenues and grants

²Private sponsorship is from a local casino

³Originally, local share of operating cost was covered by the MAPS project

⁴Private sponsorship includes local museums and the Convention & Visitors Bureau

⁵Primarily sales tax revenue

⁶Sales tax, investment income, other revenue sources - exact breakdown unknown

⁷McKinney Ave. Transit Authority, which is partially funded by BID

⁸These routes receive regional transit funding because they are the result of the

LADOT taking over the Southern California Rapid Transit District's Minibus route

✓ Exact breakdown not specified by agency

Table 7-3: Comparison of Fares Charged to Fare Recovery Ratios⁴³

City	Fare Charged	Fare Recovery Ratio
Dallas	\$0.50	10%
Los Angeles	\$0.25	12%
Miami Beach	\$0.25	5%
Milwaukee	\$0.50	15%
Oklahoma City	\$0.25 - \$0.50	4% - 24%

State Funds

Miami Beach is the only city that receives state funding to cover their downtown circulator operating cost. The Florida Department of Transportation covers 20% of the operating cost for the Electrowave service.

Local Funds

Five of the cities (*Chattanooga, Los Angeles, Miami Beach, Oklahoma City, Orlando*) use local funds to cover at least a portion of their downtown circulator operating cost. The three agencies that do not receive general transit agency funding for operating their services (*Chattanooga, Miami Beach, and Orlando*) cover a significant portion of the operating cost with parking revenue, downtown property owner tax revenue, impact fees for developers, or city funds. Miami Beach has levied an impact fee on developers, which covers 15% of their operating cost. In Los Angeles, most of the DASH routes are operated with Proposition A funding, although three of the routes (Routes A, B, and E) also receive regional transit funding because they are the result of the LADOT taking over the Southern California Rapid Transit District's Minibus route.

Private Partnerships/Sponsorships

Three of the cities have developed partnerships with private organizations to help in funding their downtown circulator systems. In Dallas, the McKinney Avenue Transit Authority, which is partially funded by the Downtown Business Improvement District (DBID), covers 40% of the operating cost for the M-Line Shuttle. The Milwaukee Transit Authority has formed partnerships with the DBID and a local casino to help fund their trolley service - each of these organizations provide approximately 2% of the total operating cost for the service. In Oklahoma City, the green route (which is largely tourist oriented) has 26% of its operating cost covered by private sources, including local museums and the Convention & Visitors Bureau.

7.2 Conclusions for the Downtown Circulator

The examination of funding sources used by other cities highlights a few observations that might be useful in the implementation of a Downtown Circulator for Washington D.C. For vehicle purchase, many of the example systems leveraged federal funding when acquiring their vehicles. The FTA can cover up to 80% of the purchase cost of vehicles. Some cities found that obtaining the remaining 20% could be a challenge. Additionally, some of the agencies had to be creative in finding funding for their vehicles. The Miami Beach TMA had at least five funding sources for the Electrowave vehicles, including the Florida EPA and the Clean Cities Coalition. The Florida Power and Light Company donated approximately \$350,000 worth of supporting

⁴³ Fares shown are for full-fare riders. Some systems charge reduced fares for the elderly and people with disabilities.

equipment for the service. A representative from the TMA noted the importance of developing partnerships (as they have), and of thinking about the various grants that may be pursued in the start-up of a circulator service.

While the FTA may prove to be a good starting point for capital funding, the federal government does not typically provide funds for operating bus services. Although the Milwaukee Transit System was successful in obtaining CMAQ funds for operations, these grants typically span only a few years, and the transit agency must then think about how to continue operating the service that has been established.

Farebox revenues, for the services examined, do not cover a significant portion of the operating cost of service. The projected farebox recovery ratio for the DC Downtown Circulator is much higher than has been achieved in these other cities. The higher expectations are reasonable given the characteristics of the intended market, however, expectations concerning farebox revenues should be allowed to become unrealistic. It will be important to identify other sources of operating funding to cover the majority of the operating costs. The example cities, in most cases, have relied heavily on local or private funding sources for operations. Sales taxes, parking revenues, and taxes on downtown property owners can be good sources of operating funds, since the people who are paying these taxes and fees tend to benefit from the transit service. It is also important to develop partnerships with other organizations when trying to obtain funds for continuing operation of the downtown circulator service. A varied mix of funding sources appears to be the most effective way to assemble a financing plan for the DC Downtown Circulator.

7.3 Funding Sources for Downtown Circulator Operations

The Downtown Circulator is expected to be able to cover about 45% of operating costs through farebox revenues. While this percentage is quite high relative to other public transit services and to downtown circulators in other cities, it still leaves just over half of all operating costs to be paid through other sources. Several possible sources of additional operating funding have been identified for the Downtown Circulator. The DCPG is working to establish a financing plan to establish a stable set of funding sources for the service. For the initial phase of implementation, three members of the DCPG (DBID, DDOT, and NCPC) have committed to each securing \$2 million in annual operating funding (a total of \$6 million) to support the operation of the Circulator.